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#### **BY HAND**

Magalie Roman Salas, Esquire Secretary **Federal Communications Commission** The Portals 445 12th Street, SW, Room TWB204 Washington, D.C. 20554

> Ex Parte Presentation Re:

> > CC Docket No. 96-45 CC Docket No. 97-160

Dear Ms. Salas:

This letter is to provide notification that on June 8, 2000, an ex parte presentation was made regarding CC Dockets 96-45 and 97-160 to Jordan Goldstein, Esquire, a member of the Commission's staff. A copy of the written presentation given to Mr. Goldstein is attached hereto. The written presentation was delivered during a meeting between Mr. Goldstein and representatives of Roseville Telephone Company, discussing the topics set forth in the written presentation.

An original and two copies of this letter, and two copies of the attached presentation, are being filed. If additional copies of this filing are required, or should any questions arise concerning this matter, please contact me.

Very truly yours.

Paul J. Feldman

Counsel for

Roseville Telephone Company

PJF:ipg **Enclosures** 

Jordan Goldstein, Esquire, FCC Room 5-C433

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# Roseville's Issues For Reconsideration in the Universal Service Proceeding

(CC Dockets 96-45 &97-160)

- 1. Interstate Long Term Support (LTS) Should Not be Included in "Hold-Harmless" and/or "Phase-Out" Provisions of the New Federal Intrastate Support Mechanism
  - This issue is currently before the Joint Board
- 2. The Dividing Line Between "Large" and "Small" Carriers in the New Federal Mechanism Should be Changed to 200K Lines
  - There is a natural break in the current USF mechanism at 200K lines
  - Study areas with less than 200K lines receive 6 1/2 times more explicit support than a study area with over 200K lines with identical costs
  - The transitional issues faced by such areas are more like those faced by the "rural" study areas and such areas should be treated under the programs to be recommended by the Rural Task Force
  - Companies like Roseville with 2 wire centers and slightly over 100K lines experience significantly different economies of scale and scope than the RBOCs and GTE with hundreds of wire centers and tens of millions of lines

#### FCC Model Investment vs. Actual

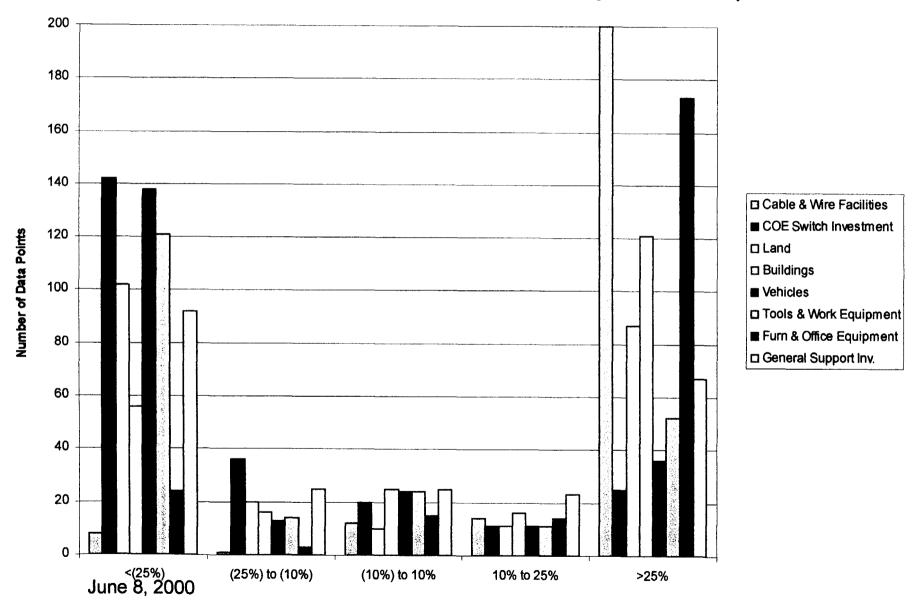
## Comparison of Model Results for Sample Wire Centers Deviation of Predicted Investment From Actual Investment

ltem	<(25%)	(25%) to (10%)	(10%) to 10%	10% to 25%	>25%
Cable & Wire Facilities	8	1	12	14	200
COE Switch Investment	142	36	20	11	25
Land	102	20	10	11	87
Buildings	56	16	25	16	121
Vehicles	138	13	24	11	36
Tools & Work Equipment	121	14	24	11	52
Furn & Office Equipment	24	3	15	14	173
General Support Inv.	92	25	25	23	67

#### Source of Data

- •Rural Task Force special study for a diverse sample of rural wire centers
- •Comparison of 1998 actual data to Synthesis Model results

## FCC Model Investment vs. Actual (Same Data as Previous Chart in Graphical Format)



### **Observations From the Data**

- There is a wide dispersion of investment data around the model estimate
- A large majority of central offices are greater than 25% above or below the estimate
- If a LEC had only one or a few wire centers, the model generated support would likely either be way too high (Win the Lottery) or too low (Go Broke)
- The more central offices a LEC has in its overall operations, the more likely that the model-generated support will approach sufficient levels (assuming inputs are otherwise accurate)

# FCC Model Investment vs. Actual (X = Roseville)

### Comparison of Model Results for Sample Wire Centers Deviation of Predicted Investment From Actual Investment

Item	<(25%)	(25%) to (10%)	(10%) to 10%		10% to 25%	>25%	
Cable & Wire Facilities	1	3 1	X	12	14		200
COE Switch Investment	X 14	2 36		20	11		25
Land	10	2 20		10	11	X	87
Buildings	5	5 16	X	25	16		121
Vehicles	X 13	B 13		24	11		36
Tools & Work Equipment	x 12	1 14		24	11		52
Furn & Office Equipment	$\hat{\mathbf{x}}$ 2	4 3		15	14		173
General Support Inv.	$\hat{\mathbf{X}}^{9}$	2 25		25	23		67

# The RTF Data Provides Additional Justification for the Roseville Proposal

## The Dividing Line Between "Large" and "Small" Carriers in the New Federal Mechanism Should be Changed to 200K Lines

- There is a natural break in the current USF mechanism at 200K lines
- Study areas with less than 200K lines receive 6 1/2 times more explicit support than a study area with over 200K lines with identical costs
- The transitional issues faced by such areas are more like those faced by the "rural" study areas
- Companies like Roseville with 2 wire centers and slightly over 100K lines experience significantly different economies of scale and scope than the RBOCs and GTE with hundreds of wire centers and tens of millions of lines
- The Synthesis Model has been demonstrated to be an inaccurate predictor of support for companies with relatively few wire centers